

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Periodic Reporting  
(Proposal Five)

Docket No. RM2021-8

PUBLIC REPRESENTATIVE COMMENTS

(September 15, 2021)

I. INTRODUCTION

The Public Representative hereby provides comments in response to Commission Order No. 5951.<sup>1</sup> In that order, the Commission established Docket No. RM2021-8 to receive comments from interested persons, including the undersigned Public Representative, that address the Postal Service's petition to change analytical principles related to periodic reporting.<sup>2</sup> The Postal Service filed the Petition pursuant to 39 C.F.R. § 3050.11. Petition, Proposal 5 at 1.

II. SUMMARY OF PROPOSAL FIVE

In Proposal Five, the Postal Service proposes to separate the treatment of International surface transportation to Canada from International air transportation. Petition at 1. The Postal Service proposes to use additional Foreign Postal Settlement System (FPS) data to develop a distribution key that would more accurately distribute outbound International surface transportation to Canada. These expenses are recorded in General Ledger account 53281. *Id.* The Postal Service explains that after isolating account 53281, the sum of accounts 53201 and 53212<sup>3</sup> would be distributed using the

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<sup>1</sup> Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Five), August 6, 2021 (Order No. 5951).

<sup>2</sup> Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Five), August 4, 2021 (Petition).

<sup>3</sup> Currently The Postal Service aggregates account 53281 (INTERNATIONAL SURFACE TRANSPORTATION) with account 53201 (INTERNATIONAL AIR TRANSPORTATION-CIVILIAN) and account 53212 (INTERNATIONAL TRANSPORTATION

International Air Transportation Data 2020 product and country data. *Id.* The Postal Service asserts that the proposal would improve ICRA reporting by eliminating the aggregation of air and surface costs, eliminating the need to develop diversion factors currently used to isolate surface transportation costs to Canada, and separating the distribution of surface costs to Canada (using surface data) and air transportation costs (using air data). *Id.* at 4-5.

### III. BACKGROUND

Proposal Five proposes to “treat International surface transportation to Canada separately from the treatment of International air transportation”. Petition at 1. The Postal Service proposes to isolate International surface transportation to Canada (Account 53281) from total International air transportation costs (Accounts 53201 and 53212) and develop a new distribution key using FPS data to more accurately distribute International surface transportation to Canada costs. *Id.*

Processing of International transportation costs for air mail are developed in the ICRA model with International transportation for air mail costs calculated by multiplying unit costs by volumes on a category of mail and country basis. *Id.* at 2. These country-specific costs are compiled into required country groups and total computed costs are adjusted to reconcile with the accounting books. *Id.*

Certain air transportation costs for Canada are adjusted to reflect the actual transportation of some airmail to Canada by highway services. *Id.* This proposal seeks to eliminate the need for these adjustments by isolating account 53281 and distributing International surface transportation to Canada using a distribution key developed from FSP data. Accounts 53201 and 53212 would be aggregated, resulting in the distribution of only air expenses. The Postal Service explains that the primary subject of this proposal is to International highway costs and that air transportation cost computations will be maintained with the exception of removing account 53281 from the benchmarking of International air transportation expenses for all countries. *Id.* at 3.

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(SURFACE AIRLIFT). Account 53286 (TRANS MAIL-FRGN CNTRS-GNET) is treated in separate calculations for the FedEx contract. Petition at 1.

Currently the Postal Service develops the diversion ratios for mail types transported by surface using the proportions of total outbound kilograms to Canada. *Id.* The proposed changes would use US to Canada information service center origin destination pairs by ICRA outbound mail class to replace the diversion percentages. *Id.* at 4.

The Postal Service states that using additional FPS data to distribute the expenses incurred for outbound International surface transportation to Canada and refining the treatment of air transportation costs would improve the ICRA reporting by providing a finer level of mail category detail that; eliminates the aggregation of air and surface costs together, eliminates the need to develop diversion factors to isolate the surface transportation costs to Canada, and better aligns the distribution of surface costs using surface data and air costs using air data. *Id.* at 4-5.

The Postal Service filed two non-public Attachments under seal with Proposal Five as part of Library Reference USPS-RM2021-8/NP1.<sup>4</sup> Attachment 1 is a comparison between the actual FY 2020 and proposed Summary, Market Dominant, and Competitive pages filed in USPS-FY20-NP2 (Revised 2/22/21) and the difference between the two. The impact of the proposed change includes a shift of approximately \$158 thousand dollars in attributable cost from Market Dominant to Competitive mail. *Id.* at 5.

Attachment 2 calculates the difference between actual FY 2020 NSA summary results filed as part of the NSA summary (Unified) workbook under USPS-FY20-NP2 ICM Costing (Revised 2/22/21) and the revised version under this proposal. *Id.* The Postal Service asserts that the calculations show that all NSA's that were compensatory in FY 2020 would have remained so under this proposal. *Id.*

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<sup>4</sup> The files are revised versions of files provided under seal within Docket No. ACR2020, Library Reference USPS-FY20-NP1 and -NP5 in the Postal Service's Annual Compliance Report.

#### IV. COMMENTS

Based upon a review of the Postal Service's filing including workpapers filed under seal, the Public Representative finds that Proposal Five improves the accuracy of the Postal Service's reporting. Specifically, the Public Representative finds that the proposed change improves the accuracy of cost distribution of both International air transportation expenses and International surface transportation to Canada.

The Public Representative finds that the Postal Service's proposal to isolate International surface transportation to Canada (Account 53281) and use FPS data to distribute those costs will improve the accuracy of cost distribution in the ICRA. The supporting non-public excel files demonstrate the impact of the proposed changes on the ICRA model and the resulting adjustments to cost outputs. Attachments 1 and 2 calculate the changes to product level cost and contribution data resulting from this proposal. The changes do not appear to have a significant impact on International Competitive product contributions.<sup>5</sup> The overall impact of the proposed changes is a shift of approximately \$158 thousand in attributable costs from Market Dominant to Competitive and a zero net change in total costs.

The Public Representative also reviewed non-public Attachment 2 filed in this docket and agrees with the Postal Service's assertion that its calculations show "all NSAs that were compensatory in FY 2020 would have remained so under this proposal". Petition at 5. Additionally, the difference in total volume variable and products specific costs for International NSA's calculated in Attachment 2 reconciles with the change in International NSA's calculated in Attachment 1.

For the reasons discussed above, the Public Representative supports Proposal Five and recommends its approval. The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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<sup>5</sup> In accordance with 39 U.S.C. § 3633(a)(2), revenue for each Competitive product must cover its attributable cost.

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Jennaca Upperman  
Public Representative

901 New York Ave. NW  
Washington, DC 20268-0001  
202-789-6898  
[jennaca.upperman@prc.gov](mailto:jennaca.upperman@prc.gov)